

Eight MCC Threshold Programs Successfully Conclude

Results evident as U.S. assistance addresses corruption, press freedom, education

The successful completion of Millennium Challenge Corporation (MCC) “threshold” programs, valued at nearly \$137 million, has resulted in significant improvements in partner government practices to increase transparency, efficiency, and investments in people. By the end of 2009, MCC wrapped up threshold programs in Albania, Burkina Faso, Jordan, Malawi, Paraguay, the Philippines, Tanzania and Zambia. MCC’s Threshold Program is designed to support the reform efforts of a country to address specific areas of policy weakness identified by the MCC selection indicators. By undertaking such reforms, a country may then improve its chances to become eligible for a large-scale MCC grant to reduce poverty through economic growth. Positive results in addressing such issues as corruption, press freedom, education and improved government transparency and accountability are already evident as these programs come to a close.

Since its inception in 2004, MCC has funded 21 threshold programs worth nearly \$470 million with partner countries in Africa, South America, Europe, Asia and the Pacific. By the end of 2009, MCC will mark the completion of the first ten of these innovative programs, which are implemented in partnership with the United States Agency for International Development, the Department of the Treasury and the Department of Justice. These programs are prime examples of how the use of U.S. taxpayer funds is optimized through the successful cooperation and coordination of U.S. agencies. Below are summaries of some of the programs that have already made a significant impact in MCC partner countries.

Albania



Albania’s nearly \$13.9 million original MCC threshold program, completed in 2008, focused on reducing corruption by reforming the country’s public procurement process, improving business registration, and strengthening tax administration to promote fiscal transparency and accountability.

- ★ Two years after its launch, Albania's new electronic procurement system accounted for most of the government's competitive procurement awards and increased the average number of bids per tender from 2.5 to 6, reducing the opportunities for collusion. The e-procurement system also generates audit trails that can be used to detect bid tampering.
- ★ A Procurement Advocate, created by the program to monitor procurements and handle bidders' complaints, has investigated over 700 complaints (100 per month on average) since the program began in 2007. The majority of the Procurement Advocate's recommendations have been followed by government contracting authorities.
- ★ A one-stop shop National Registration Center has cut the time to register a business from several weeks to two days, resulting in a 49-point improvement in Albania's score on the World Bank/IFC Doing Business 2009 report.
- ★ Since the Tirana headquarters opened in September 2007, the National Registration Center and its 29 branch offices have processed over 100,000 applications, most of them new registrations. The streamlined registration process has registered 55 percent more businesses during the same five-month period in 2008 than it did in 2007. Newly-registered businesses are now automatically tax-registered, which reduces tax evasion while increasing revenues.
- ★ An online commercial registry makes it possible to track business ownership and flag potential conflicts of interest for government procurements.
- ★ An electronic tax filing system, launched in 2007, receives more than 4,000 monthly returns, reducing the face-to-face contact between businesses and officials that was a primary source of tax corruption.

Burkina Faso



Burkina Faso's \$12.9 million MCC threshold program, completed in 2008, focused on improving girls' primary education completion rates. The program included the construction of 132 primary schools in ten of the poorest provinces, teacher training, the provision of take-home rations to girls who maintain a 90 percent school attendance rate, literacy training for mothers and other interventions designed to improve the access to and quality of education.

- ★ Nearly 16,700 Burkinabe students – of whom 55 percent are girls – now enjoy spacious and well-ventilated classrooms, new separate latrines for boys and girls, easy access to clean, potable water, comfortable desks, school manuals, canteens and take-home rations.
- ★ Students are also benefitting from the regular presence of their teachers, who now reside on school premises.

- ★ In December 2006, Burkina Faso became compact eligible and in July 2008 signed a \$480.9 million compact with MCC. A portion of the compact funds will expand upon achievements of the threshold program by building an additional 132 classrooms and promoting adult literacy.

Jordan



Jordan's \$25 million MCC threshold program, completed in 2009, supported reforms to broaden public participation in the political and electoral process, increase government transparency and accountability and enhance the business climate. As a result of integrating a risk management system and supporting an upgrade to ASYCUDA World, an automated customs data system, the average time to complete the custom clearance process was reduced by 50 percent in four targeted customs centers.

- ★ As part of this program, Jordan reinstated municipal-level elections and established the first quota for women's participation in the Jordanian government, requiring that at least 20 percent of the elected seats be held by women.
- ★ A Women's Knowledge Network was established to empower and strengthen the ability of female municipal council members to perform effectively. Workshops and training were conducted and three-year strategic plans were developed to improve the capacity for planning.
- ★ In order to increase citizen engagement in local planning and decision making, nine municipalities developed Local Development Plans with citizen participation. These plans were presented to the municipality mayors at a closing event.

Malawi



Malawi's approximately \$20.9 million threshold program, completed in 2008, focused on preventing corruption through enhanced oversight functions and on building enforcement and deterrence capacity. The program also built effective legislative and judicial capacity to combat corruption, provided support for lead anti-corruption agencies, strengthened coverage of corruption issues by independent media, and expanded and intensified the work of civil society organizations.

- ★ •A financial intelligence unit was established to provide a safeguard against corruption by tracking suspicious movements of money.
- ★ Establishment of the Media Council in Malawi helped to enhance press freedom and promote journalistic ethics and professional standards. The program also trained journalists to report on and analyze instances of corruption and thus supported the publication of stories exposing waste and public corruption.
- ★ The program also effectively strengthened oversight and increased transparency by improving audit capabilities, establishing a system to monitor and evaluate public sector projects and increasing fiscal management

capacity. In addition, MCC support for the operation of Malawi's National Assembly enabled all 13 standing committees to convene for the first time in the Assembly's history. The ability of these committees to exert effective parliamentary oversight is critical to executive branch accountability and the sustainability of anti-corruption efforts.

Paraguay



The over \$34.6 million original threshold program for Paraguay, completed in 2009, focused on fighting impunity and confronting informality in the economic sector by improving the capacity of the judicial system, increasing government efficiency and strengthening its internal controls and disciplinary capabilities. This comprehensive program worked with over 20 government agencies, including the Supreme Court, the Comptroller General, the Public Ministry, the Ministry of Interior and Customs.

- ★ With the assistance of training, improved procedures and an electronic tax payment system, the Paraguay tax authority suspended more than 150 tax evading firms and reduced the value-added tax shortfall from 66 percent to 51 percent during the program. An anti-contraband unit was established to improve border control and helped seized goods valued at over \$6.5 million.
- ★ A one-stop shop for business registration was created and reduced the number of days to start a business from 74 to 35. A large public outreach effort was undertaken to increase awareness of these changes.
- ★ A standardized model for internal controls for government ministries was created and piloted under the threshold program. Because of the success of the model, President Lugo signed a decree in November 2008 requiring its use government-wide. Promotion and investment in the maquila systems (low-cost, internationally-focused businesses) resulted in the registration of 24 new maquilas, 5 of which were a direct result of the threshold program.

Philippines



The nearly \$20.7 million threshold program for the Philippines, completed in 2009, helped reduce opportunities for corruption and improve revenue administration by strengthening the monitoring and investigative functions of the Ombudsman and Department of Finance.

- ★ Through training and increased investigative capacity, the threshold program saw progress on prosecuting corruption cases at the Office of the Ombudsman with an increase in the annual conviction rate for tried and plead cases from 19 percent to 76 percent. The number of officials who received administrative sanctions quadrupled to 1,282 between 2007 and 2008.
- ★ The program created a data warehouse that automates data on customs imports. This will improve the Philippines ability to detect undervalued imports and tax leakages. By the end of the program, a total of 33

cases against smugglers were filed before the Court of Tax Appeals and a total of 95 cases against smugglers were filed with the Department of Justice.

- ★ The program computerized and connected 97 percent of the Bureau of Internal Revenue's district offices to a national database. The system improves communication and efficiency between district offices and the national headquarters. By the end of the threshold program, 117 cases against tax evaders were filed with the Department of Justice.

Tanzania



Tanzania's nearly \$11.2 million threshold program, completed in 2008, focused on building the monitoring capacity of the nongovernmental sector, training journalists, strengthening the rule of law for good governance, establishing a financial intelligence unit and curbing corruption in public procurement.

- ★ The program provided critical assistance to sustain Tanzania's anti-corruption reform movement. Seventy-seven districts in Tanzania received training on how to create and manage public expenditure tracking systems (PETS). The PETS training empowers citizens to oversee budgetary allocations and provide input into local decision making on how to use public funds.
- ★ Given the recent transfer of prosecution authority from police investigators to civilian prosecutors, threshold program training filled a critical need to develop the basic skills of public prosecutors. Training for prosecutors included effective drafting of legal opinions and courtroom advocacy.
- ★ In close cooperation with the Tanzania Public Procurement Regulatory Authority, the program produced 40 audits on the procurement practices of central government entities. A key victory for the program was the prompt publication of the audit results via the web and a series of newspaper supplements. Their publication was a strong demonstration of the government's commitment to transparency and helped both parliament and civil society to conduct informed oversight of public procurement practices.
- ★ The program trained journalists throughout the country on how to responsibly investigate and report on government corruption. A significant increase in print reporting on corruption was observed during the time of the program.

Zambia



MCC's over \$22.7 million threshold program with Zambia, completed in 2009, focused on reducing corruption and improving government effectiveness in the public sector, improving the delivery of public services to the private sector and strengthening the management of cross-border trade.

- ★ The program enhanced Zambia's business environment by creating Patents and Companies Registration (PACRO) offices – responsible for processing business registrations – outside of Lusaka, which reduced the

burden on businesses based outside of Lusaka. The program also supported development and installation of information technology systems in all PACROs to increase efficiency and shorten the time to register a business. These reforms contributed to a reduction in the number of days to start a business from 35 to 18.

- ★ In close cooperation with the Zambia Revenue Authority, the program also helped create a program of accredited clients, which facilitates the customs process for Zambia's largest importers.
- ★ The program piloted business process reengineering in several government offices to improve efficiency. These institutions informed the public and businesses through web sites, radio and television programs, brochures and posters.